

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 PA-02
PRS-01 L-03 /087 W
-----261635Z 055951 /45

R 261422Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4401
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION NATO
USMISSION OECD PARIS
AMEMBASSY PARIS
USMISSION GENEVA
USNMR SHAPE
AMCONSUL BELFAST
AMCONSUL EDINBURGH

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E.O. 11652: N/A
TAGS: ELAB, UK, PINT
SUBJECT: UNEMPLOYMENT IN MAY SHOWS FURTHER DECLINE

REF: LONDON 6862

SUMMARY. FIGURES RELEASED BY THE DEPARTMENT OF EMPLOY-
MENT ON MAY 24 INDICATE THAT UNEMPLOYMENT FELL DURING
THE MONTH, FOR THE FOURTH TIME THIS YEAR. IN VIEW OF
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THE GROWING PRESSURE BY A NUMBER OF TRADE UNIONS, RE-
FLECTED DURING THE CURRENT CONFERENCE SEASON, FOR A RE-
TURN TO FREE COLLECTIVE BARGAINING, THIS NEWS HAS GIVEN
THE GOVERNMENT SOME ENCOURAGEMENT THAT A THIRD YEAR
AGREEMENT IS STILL POSSIBLE. THE UNADJUSTED TOTAL OF
REGISTERED UNEMPLOYED IN THE UNITED KINGDOM FELL BY MORE
THAN 50,000 TO 1,341,691. AFTER ALLOWING FOR THE USUAL

SEASONAL ADJUSTMENTS, ADULT UNEMPLOYMENT FELL BY 6,700 TO A TOTAL OF 1,315,900, REPRESENTING 5.6 PERCENT OF THE WORKING POPULATION. END SUMMARY.

1. THE LATEST ANNOUNCEMENT MEANS THAT UNEMPLOYMENT HAS REMAINED VIRTUALLY UNCHANGED SINCE AUGUST 1976, CONFIRMING A NUMBER OF FORECASTS THAT HAVE PREDICTED A STEADY INCREASE IN THE NUMBERS WITHOUT WORK. IN ADDITION TO THE FALL IN UNEMPLOYMENT THERE WAS A CONTINUATION IN THE STEADY RISE IN THE NUMBER OF JOB VACANCIES REGISTERED BY THE DEPARTMENT OF EMPLOYMENT. IN THE MONTH TO MID-MAY THE NUMBER OF NOTIFIED VACANCIES ROSE BY 2,700 TO A TOTAL OF 161,200. THIS NEW TOTAL INDICATES THAT THERE HAS BEEN A 30 PERCENT INCREASE IN VACANCIES SINCE LAST AUTUMN. TAKEN IN ISOLATION, THESE FIGURES MAY PROVIDE THE GOVERNMENT WITH SOME HOPE THAT THE BRITISH ECONOMY HAS AT LAST BEGUN ITS MOVE TOWARD LOWER LEVELS OF UNEMPLOYMENT. HOWEVER, MOST ESTIMATES INDICATE THAT REAL GROWTH IN 1977 OUTPUT WILL AMOUNT TO ONLY BETWEEN 1 AND 2 PERCENT; IT IS ALSO ESTIMATED THAT STABILIZATION OF THE RATE OF UNEMPLOYMENT IS DEPENDENT ON THE CREATION OF 12,000 NEW JOBS PER MONTH. LOW LABOR PRODUCTIVITY WILL CONTINUE TO POSE PROBLEMS FOR THE BRITISH ECONOMY AND THE NUMBERS OF UNEMPLOYED ARE NOT LIKELY TO BE SIGNIFICANTLY REDUCED.

2. IN THE SHORT TERM, HOWEVER, THE LATEST FIGURES ARE BEING SEEN BY MANY AS A VINDICATION OF THE GOVERNMENT'S PACKAGE OF EMPLOYMENT MEASURES DESIGNED TO CREATE AND

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PRESERVE JOBS. AT THE PRESENT IT IS OFFICIALLY ESTIMATED THAT THE MEASURES ARE KEEPING SOME 215,000 PEOPLE OFF THE UNEMPLOYMENT REGISTER. IT IS ALSO SUGGESTED THAT IN THE THREE YEARS TO MARCH 1978 A TOTAL OF 750,000 PEOPLE WILL HAVE BENEFITED FROM THE VARIOUS SCHEMES AT

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A TOTAL GROSS COST OF 890 MILLION POUNDS. THERE IS ALSO LITTLE DOUBT THAT THE CONTINUED FALL IN UNEMPLOYMENT REFLECTS THE INCREASED COST TO EMPLOYERS OF REDUNDANCIES; AS A RESULT OF RECENT LEGISLATION THERE APPEARS TO BE A GREATER WILLINGNESS ON THE PART OF EMPLOYERS TO RETAIN LABOR THAT IS SEEN AS TEMPORARILY UNDEREMPLOYED WHICH AT ONE TIME WOULD HAVE BEEN LAID OFF.

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3. THE RECENT SLIGHT DECLINE IN UNEMPLOYMENT MAY HELP THE GOVERNMENT'S EFFORTS TO NEGOTIATE A THIRD STAGE OF INCOMES POLICY WITH THE TRADE UNIONS. HIGH UNEMPLOYMENT HAS BEEN ONE OF THE MAJOR CAUSES OF TRADE UNION DISCONTENT WITH THE GOVERNMENT. THOUGH THE CURRENT FIGURES ARE UNLIKELY TO HAVE A RADICAL INFLUENCE ON TRADE UNION ATTITUDES, THEY PROVIDE SOME OF THE VERY LITTLE ENCOURAGEMENT THE GOVERNMENT HAS HAD IN RECENT WEEKS.

4. IT IS ALSO SOBERING TO REMEMBER, IN THE LIGHT OF

THE 'GUARDED OPTIMISM' THAT HAS GREETED THE RECENT
IMPROVEMENT IN UNEMPLOYMENT, THAT THE MAY FIGURES SHOW
AN INCREASE OF MORE THAN 5 PERCENT ON THE UNADJUSTED
TOTAL FOR THE SAME MONTH OF 1976.

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